

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 09485 221108Z

41

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NSC-05 SS-15 L-03

H-02 PA-01 PRS-01 USIA-06 XMB-02 AGR-05 /097 W

----- 081469

R 220900Z OCT 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9801

INFO ALL EC CAPITALS 1222

AMEMBASSY BERN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

C O N F I D E N T I A L EC BRUSSELS 9485

E.O. 11652: ADS "DECLASSIFY ON JAN. 1, 1979"

TAGS: EFIN, EEC

SUBJECT: SWISS ASSOCIATION WITH EUROPEAN MONETARY SNAKE--
EC CENTRAL BANKERS MAKE LITTLE PROGRESS

REFS: A. BERN 4340

B. BERN 4335

C. EC BRUSSELS 8948

1. SUMMARY: THE EC CENTRAL BANK GOVERNORS COMMITTEE REPORT INDICATES THERE CONTINUES TO BE AN IMPASSE OVER THE REQUIREMENTS FOR SWISS ASSOCIATION WITH THE SNAKE. FRANCE INSISTS THAT THE GOS ADOPT CONTROLS OVER THE CAPITAL MOVEMENTS OF ITS RESIDENTS. THE GOS REFUSES TO DO THIS. OFFICIALS ARE NOT HOPEFUL THAT THIS IMPASSE CAN BE BROKEN AT THE NEXT MEETING OF SNAKE FINANCE MINISTERS. END SUMMARY.

2. THE EC CENTRAL BANK GOVERNORS COMMITTEE ON OCTOBER 15
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 09485 221108Z

ADOPTED THE HEYVAERT COMMITTEE REPORT (SEE REF C) ON SHORT-TERM

TECHNICAL ASPECTS REGARDING SWISS ASSOCIATION WITH THE SNAKE. (THE MISSION HAS OBTAINED A COPY OF THIS REPORT AND HAS SENT COPIES TO INTERESTED WASHINGTON AGENCIES, INCLUDING RPE-CLARK, AND TO EMBASSY BERN.) THIS REPORT SHOWS THERE IS EC AGREEMENT ON MOST TECHNICAL REQUIREMENTS: ENTRY RATE OF THE SF, CHANGING THE RATE, BILATERAL "SWAP" AGREEMENTS AND ORGANIZATION OF EXCHANGE MARKETS. THE COMMITTEE REPORT ASKS THE FOLLOWING:

1) THAT THE SWISS IMPROVE THEIR STATISTICS, SUCH AS COMMERCIAL BANK FOREIGN EXCHANGE HOLDINGS; 2) THAT THE SWISS NATIONAL BANK INTERVENE MORE IN DOLLARS THAN SNAKE CURRENCIES SO AS TO HELP EASE TENSIONS WITHIN THE SNAKE AND WITH THIRD-COUNTRY CURRENCIES; AND 3) THAT CONSULTATION PROCEDURES BE UNDERTAKEN TO COORDINATE EXCHANGE RATE POLICIES AND TO IMPROVE CONTROL OVER CAPITAL MOVEMENTS. SWISS OFFICIALS PARTICIPATED IN THESE DISCUSSIONS AND, WE ARE TOLD, AGREE TO THESE THREE REQUESTS.

3. FRANCE, HOWEVER, ASKED THAT THE GOS TAKE MEASURES TO REDUCE CAPITAL INFLOWS, PARTICULARLY BY PLACING CONTROLS ON SWISS RESIDENTS. SWISS AUTHORITIES, FRANCE MAINTAINS, HAVE NOT SUPPLIED SUFFICIENT STATISTICAL EVIDENCE TO DEMONSTRATE THAT CAPITAL INFLOWS ARE NOT ATTRIBUTABLE TO SWISS RESIDENTS. UNTIL ADEQUATE MEASURES ARE TAKEN, FRANCE BELIEVES THE SF WILL CONTINUE TO BE A SPECULATIVE CURRENCY WHICH WOULD POSE A DANGER FOR OTHER SNAKE CURRENCIES BY CAUSING THE CENTRAL RATE TO APPRECIATE. THE OTHER GOVERNORS DID NOT SUPPORT FRANCE IN THIS REQUEST. SWISS OFFICIALS HERE SAY THE GOS IS NOT PREPARED TO PLACE CAPITAL CONTROLS ON ITS RESIDENTS AND THEREFORE THE DISCUSSION CONTINUES TO BE AT LOGGERHEADS.

4. MEDIUM-TERM ISSUES SUCH AS FISCAL MEASURES AND BANK SECRECY REQUIREMENTS WERE NOT DISCUSSED BY THE COMMITTEE. SWISS OFFICIALS HERE SAY THAT THEY CONTINUE TO BE WILLING TO DISCUSS ASPECTS OF GOS REGULATIONS SEPARATE FROM THE NEGOTIATIONS REGARDING SWISS ASSOCIATION WITH THE SNAKE.

5. SWISS OFFICIALS HERE CONCLUDE THAT FRANCE DOES NOT WANT THE SF IN THE SNAKE AT THIS TIME. THEY SAY IT WILL BE COUNTER-PRODUCTIVE TO HAVE ANOTHER JOINT MEETING OF EC SNAKE AND SWISS FINANCE MINISTERS IF NO AGREEMENT IS REACHED ON SWISS ASSOCIATION. THE SWISS DO NOT CURRENTLY PLAN TO CALL OFF THE JOINT MEETING
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 09485 221108Z

OF NOV 18 (THE TENTATIVE DATE OF THE FINANCE COUNCIL MEETING HAS BEEN SHIFTED FROM NOV 17 TO 18 BECAUSE OF THE ECONOMIC SUMMIT). INSTEAD, THEY PLAN TO INFORM THE BELGIAN CHAIRMAN THAT INVITATIONS TO THE MEETING SHOULD BE EXTENDED ONLY IF THERE IS A FAIR CHANCE OF MAKING SIGNIFICANT PROGRESS. THUS, FURTHER NEGOTIATIONS AT THIS TIME WOULD BE UP TO THE SNAKE MINISTERS.

6. IN SUM, OFFICIALS HERE ARE PESSIMISTIC OVER SWISS

ASSOCIATION AT THIS TIME. UNTIL FRANCE DROPS ITS REQUEST
REGARDING CAPITAL CONTROLS, THERE IS LITTLE PROSPECT OF
FURTHER PROGRESS. GREENWALD

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, CURRENCY STABILITY, MONETARY REFORM
Control Number: n/a
Copy: SINGLE
Draft Date: 22 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU09485
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: AS SIFY ON JAN. 1, 1979"
Errors: N/A
Film Number: D750367-0149
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751030/aaaabaeg.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BERN 4340
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 15 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 APR 2003 by SmithRJ>; APPROVED <04 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS ASSOCIATION WITH EUROPEAN MONETARY SNAKE-- EC CENTRAL BANKERS MAKE LITTLE PROGRESS
TAGS: EFIN, ECON, SZ, EEC, SNAKE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006